

## Tracks & Towers Infratech Private Limited

August 14, 2018

### Summary of rated instruments

| Instrument*                          | Previous Rated Amount (Rs. crore) | Current Rated Amount (Rs. crore) | Rating Action  |
|--------------------------------------|-----------------------------------|----------------------------------|--|
| Long Term: Cash credit facilities    | 39.00                             | 42.00                            | [ICRA]A-(Positive); rating reaffirmed; outlook revised from Stable |
| Long Term: Non-Fund Based facilities | 248.00                            | 279.00                           | [ICRA]A-(Positive); rating reaffirmed; outlook revised from Stable |
| Long Term: Unallocated               | 63.00                             | 129.00                           | [ICRA]A-(Positive); rating reaffirmed; outlook revised from Stable |
| <b>Total</b>                         | <b>350.00</b>                     | <b>450.00</b>                    |  |

\* -Instrument details are provided in Annexure 1

### Rating action

ICRA has reaffirmed the long-term rating of [ICRA]A- (pronounced ICRA A minus) to the Rs. 42.00 crore<sup>1</sup> (revised from Rs. 39.00 crore) cash credit facilities, Rs. 279.0 crore (revised from Rs. 248.0 crore) non-fund-based limits and Rs. 129.00 crore (revised from Rs. 63.0 crore) unallocated facilities of Tracks & Towers Infratech Private Limited (TTIPL)<sup>2</sup>. The outlook on the long-term rating is revised to 'Positive' from 'Stable'.

### Rationale

The change in outlook to positive reflects robust order book accretion to the tune of Rs. 1,297.2 crore resulting in an outstanding orderbook of Rs. 1,803.4 crore which is 4.2 times the operating income of FY2018. ICRA believes that with requisite approvals in place for most of these new projects and relatively shorter execution tenure, TTIPL is expected to witness significant growth in gross billing in FY2019.

The rating reaffirmation takes into account the steady increase in share of revenues from Indian Railways and Government railway siding works to 99% in FY2018 from 20% in FY2014. The rating also factors in the well-diversified order book with a total of 33 projects spread across eight states thereby reducing dependency on any specific state. The rating also favorably factors in the comfortable financial profile characterised by low leverage with TOL/TNW of 1.1 times as on March 31, 2018, strong coverage indicators with TD/OPBDITA and interest coverage of 0.3 times and 8.5 times respectively in FY2018 and healthy liquidity position with high cushion in working capital facilities. The rating also factors in TTIPL's strong operational track record in the execution of railway works viz. siding, track doubling and new lines with repeat orders from RVNL and various railway divisions.

The rating is, however, constrained by the high execution risks with ~74% of the order book in the initial stages of execution with a substantial portion of orders being awarded in Q1 FY2019. The rating is also constrained by high customer concentration risk with RVNL contributing to ~56% of outstanding orders as on June 30, 2018. Although the receivable days remain low at 34 as on March 31, 2018, ~16% of these receivables are pending for more than 180-days largely from private siding works for power projects. Owing to the weak financial profile of these counterparties,

<sup>1</sup> 1 crore = 100 lakh = 10 million

<sup>2</sup> For complete rating scale and definitions, please refer to ICRA's website [www.icra.in](http://www.icra.in) or other ICRA Rating Publications

company has initiated various steps (viz. NCLT, one-time settlement etc.) for recovering the long pending debtors thereby reducing the risk of write-off of receivables.

## Outlook: Positive

ICRA expects the gross billings in FY2019 to increase significantly aided by healthy accretion of shorter tenure orders to orderbook along with improvement in profitability on account of excess price quoted over the base price for some of its major orders. The outlook may be revised to 'Stable' in case billing remains lower than expected or in case of elongation in working capital cycle.

## Key rating drivers

### Credit strengths

**Significant orderbook accretion provides medium term revenue visibility:** The orderbook accretion has been healthy at Rs. 1,297.2 crore resulting in an outstanding orderbook of Rs. 1,803.4 crore as on June 30, 2018 which is 4.2 times the operating income of FY2018 providing healthy revenue visibility over the medium term.

**Well diversified orderbook:** The rating also factors in the well-diversified order book with a total of 33 projects spread across eight states thereby reducing dependency on any specific state. Further, the orders from Jharkhand, MP and Orissa contribute to 76% of outstanding orders.

**Healthy financial profile:** TTIPL's financial profile remains comfortable characterised by low leverage with TOL/TNW of 1.1 times as on March 31, 2018, strong coverage indicators with TD/OPBDITA and interest coverage of 0.3 times and 8.5 times respectively in FY2018 and healthy liquidity position with high cushion in working capital facilities with average utilisation at 35.67% during the period between May 2017 and July 2018 providing ample cushion over unutilized lines of credit.

**Established operational track record:** TTIPL has an established track record in the execution of railway works viz. siding, track doubling and new lines with repeat orders from RVNL and various railway divisions.

### Credit weaknesses

**High execution risks:** With 74% of orderbook in its nascent stages of execution, the company remains exposed to high project execution risks. Majority of these correspond to fresh orders awarded in Q1 FY2019 where the LoA is yet to be received.

**Risk of write off of receivables from private players:** About ~16% of receivables as on March 31, 2018 are pending for more than 180-days largely from private siding works for power projects. Owing to the weak financial profile of these counterparties, company has initiated various steps (viz. NCLT, one-time settlement etc.) for recovering the long pending debtors thereby reducing the risk of write-off of receivables.

**Customer concentration risk:** RVNL remains one of the largest customer for TTIPL with ~56% of outstanding orders as on June 30, 2018 awarded by RVNL.

**Analytical approach:** For arriving at the ratings, ICRA has applied its rating methodologies as indicated below.

**Links to applicable criteria:**

[Corporate Credit Rating Methodology](#)

[Rating Methodology for Construction Entities](#)

**About the company:**

Set up in 1983 as a partnership firm – M/s. Lakshmi Agencies by Mr. Ravi Kumar, the firm was subsequently converted into a private limited company in FY2008 and renamed as Tracks & Towers Infratech Private Limited. TTIPL is a special class civil contractor and undertakes projects broadly in four major segments -railway siding for Public Sector Undertakings (PSUs), railway siding for private, government building projects and Indian railways. Over the last four years, the company has shifted from private railway siding works to track laying works for Indian Railways and siding works for public sector units. TTIPL’s key clients include Rail Vikas Nigam Limited (RVNL), NTPC Limited, Rites Limited and various railway divisions.

**Key Financial Indicators**

|                              | <b>FY 2016</b> | <b>FY 2017</b> | <b>FY2018*</b> |
|------------------------------|----------------|----------------|----------------|
| Operating Income (Rs. crore) | 452.9          | 337.8          | 427.6          |
| PAT (Rs. crore)              | 15.1           | 20.9           | 29.7           |
| OPBDIT/ OI (%)               | 7.0%           | 10.7%          | 9.8%           |
| RoCE (%)                     | 32.2%          | 30.8%          | 33.5%          |
| Total Debt/ TNW (times)      | 0.2            | 0.3            | 0.1            |
| Total Debt/ OPBDIT (times)   | 0.6            | 0.7            | 0.3            |
| Interest coverage (times)    | 12.0           | 5.7            | 8.5            |
| NWC/ OI (%)                  | 8.6%           | 17.1%          | 16.5%          |

Source: Company; \*-Provisional

**Status of non-cooperation with previous CRA: Not applicable**
**Any other information: None**

### Rating history for last three years:

| Instrument       | Type      | Current Rating (FY2019)  |                                |                        | Chronology of Rating History for the past 3 years |                                      |                                      |                                      |
|------------------|-----------|--------------------------|--------------------------------|------------------------|---|--------------------------------------|--------------------------------------|--------------------------------------|
|                  |           | Amount Rated (Rs. crore) | Amount Outstanding (Rs. Crore) | Date & Rating Aug 2018 | Date & Rating in FY2018 Oct 17, 2017              | Date & Rating in FY2018 Jun 19, 2017 | Date & Rating in FY2017 Aug 23, 2016 | Date & Rating in FY2016 Jun 29, 2015 |
| 1 Cash Credit    | Long Term | 42.00                    | <b>42.00</b>                   | [ICRA]A- (Positive);   | [ICRA]A- (Stable);                                | [ICRA]A- (Stable);<br>upgraded       | [ICRA]BBB+ (Stable);<br>reaffirmed   | [ICRA]BBB+ (Stable);<br>upgraded     |
| 2 Bank Guarantee | Long Term | 279.00                   | <b>279.00</b>                  | [ICRA]A- (Positive);   | [ICRA]A- (Stable);                                | [ICRA]A- (Stable);<br>upgraded       | [ICRA]BBB+ (Stable);<br>reaffirmed   | [ICRA]BBB+ (Stable);<br>upgraded     |
| 3 Unallocated    | Long Term | 129.00                   | <b>129.00</b>                  | [ICRA]A- (Positive);   | [ICRA]A- (Stable);                                | [ICRA]A- (Stable);<br>upgraded       | [ICRA]BBB+ (Stable);<br>reaffirmed   | [ICRA]BBB+ (Stable);<br>upgraded     |

### Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website [www.icra.in](http://www.icra.in)

## Annexure-1: Instrument Details

| ISIN No | Instrument Name                   | Date of Issuance / Sanction | Coupon Rate  | Maturity Date | Amount Rated (Rs. crore) | Current Rating and Outlook |
|---------|-----------------------------------|-----------------------------|--------------|---------------|--------------------------|----------------------------|
| NA      | Long Term: Fund Based Cash Credit | Sept 2017                   | 9.45%-11.70% | -             | 42.00                    | [ICRA]A- (Positive)        |
| NA      | Long Term: Bank Guarantee         | Sept 2017                   | -            | -             | 279.00                   | [ICRA]A- (Positive)        |
| NA      | Long Term: Unallocated            |                             | -            | -             | 129.00                   | [ICRA]A- (Positive)        |

Source: Company

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## About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

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For more information, visit [www.icra.in](http://www.icra.in)

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